



conexus
B A L T I C G R I D

INČUKALNS UNDERGROUND GAS STORAGE REGULATION

September 30, 2020

RATIONALE

WHY NEW REGULATION IS REQUIRED

- On June 19, 2020 Public Utilities Commission (PUC) has issued a **consultation on the rules** providing for significant changes in the use of Inčukalns underground gas storage (UGS).
- Changes have been made in relation to the increased storage role in natural gas supply throughout the Baltic region.
- The draft regulation “Rule of use of Inčukalns Underground Gas Storage” provides for a series of changes that will improve the operational flexibility of Inčukalns UGS.
- Since opening of common market zone in Finland, Estonia and Latvia, liquidity and competition in the Baltic region have increased. It has also significantly changed the role of Inčukalns UGS in supplying natural gas in the Baltic region.

BOOKING*

CAPACITY BOOKING METHOD - AUCTIONS

PAY AS CLEARED

- 1st auction – no later than March 15, capacity available at that moment, 1YBCP and 2YBCP
- 2nd auction – on 2nd working day when total technical capacity for current storage cycle and final available capacity is determined (May 21)
- 3rd auction – no later than June 1
- 4th auction – Jun 15
- 5th auction – Jul 1
- 6th auction – Jul 15
- 7th auction – Aug 1
- 8th auction – Aug 15

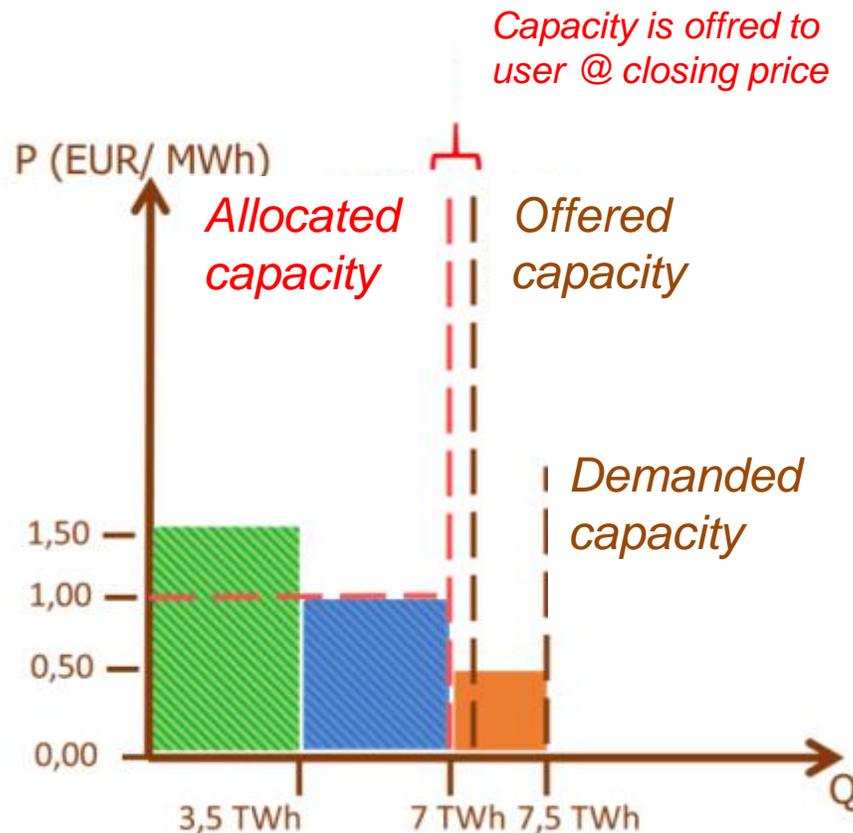
- Auctions 3 - 8 are held if available storage capacity is more than 0
- Base tariff – as approved by PUC
- Subject of Auction – premium on the top of Tariff
- Income from Premium goes into Regulatory account

* all displayed changes of storage regulations are work in progress and subject to alignment and regulatory approval

PAY AS CLEARED*

EXAMPLE

AUCTIONS 3 - 8



Available capacity 7,2 TWh

1st user bids 1,5EUR/MWh for 3,5 TWh

2nd user bids 1,0EUR/MWh for 3,5 TWh

3rd user bids 0,5EUR/MWh for 0,5 TWh

Available capacity is reached @ bid 0,5EUR/MWh. Then operator revenue is $0,5 \times 7,2 = 3,6$ million EUR

Max revenue is reached @ bid price 1EUR/MWh

3,5 TWh bid of 1st user is accepted and 3,5 TWh bid of 2nd user is accepted

Operator revenue from premium:

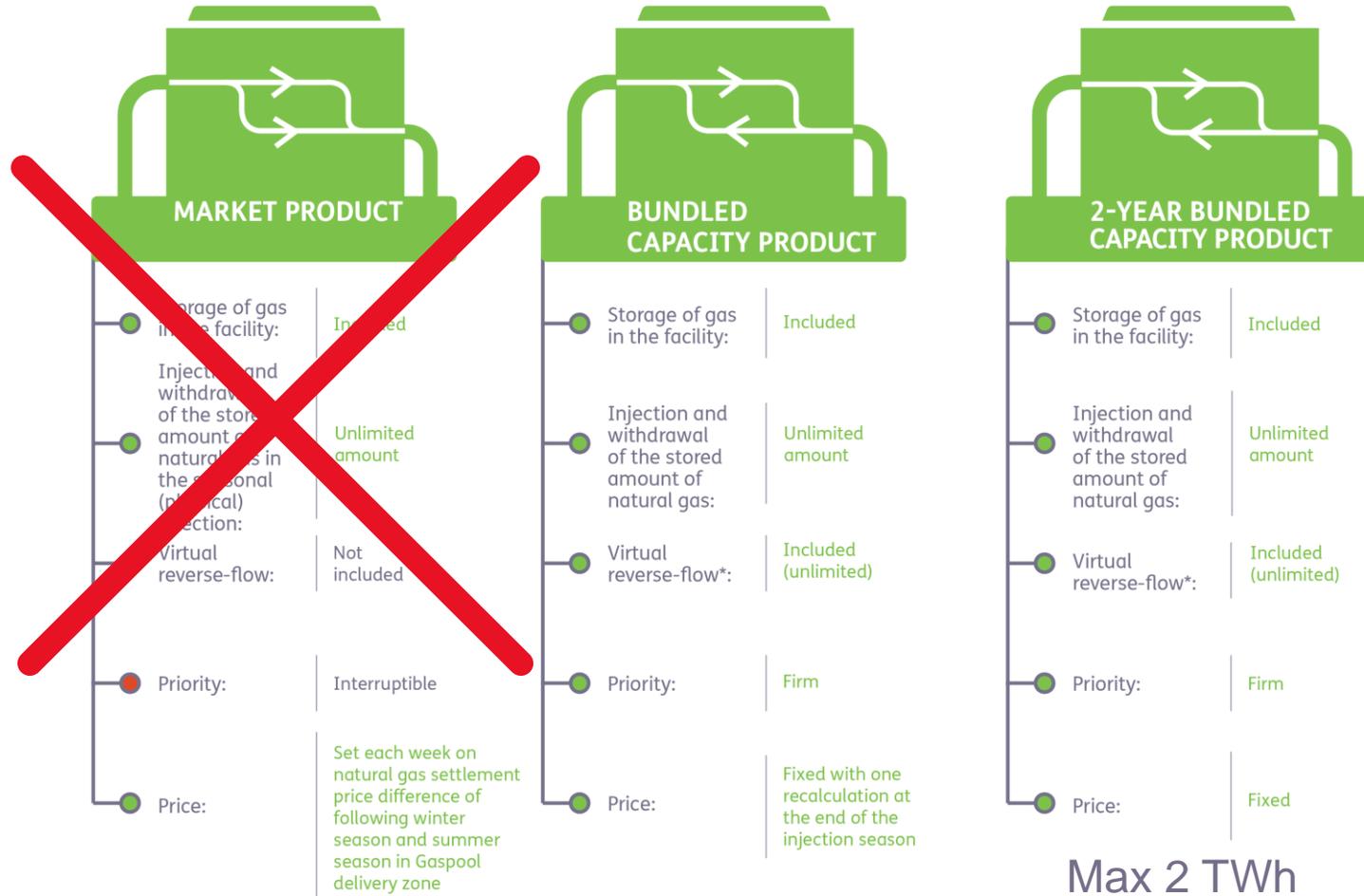
$3,5 \times 1,0 + 3,5 \times 1,0 = 7$ million EUR

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NATURAL GAS STORAGE SERVICES IN THE INČUKALNS UNDERGROUND GAS STORAGE

PRODUCTS*

CURRENT PRODUCTS



* VIRTUAL REVERSE-FLOW:
Gas transportation in the opposite direction to the seasonal direction of the storage facility.

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PRODUCTS*

NEW PRODUCTS

INTERRUPTIBLE CAPACITY PRODUCT (IPGKAP)

Available on auctions 3 – 8 if available capacity is more than 0

Pay as cleared

Storage of gas in the facility:	Included
Injection and withdrawal of the stored amount of natural gas in the seasonal (physical) direction:	Unlimited amount
Virtual reverse-flow:	Not included
Priority:	Interruptible

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PRODUCTS*

NEW PRODUCTS

STOCK TRANSFER PRODUCT (INTP)

Amount set after end of cycle

Applies to 1YBCP and 2YBCP (in 2nd year)

At end of 2020/2021 5% stay as 1YBCP or 2YBCP

Rest is transferred as IPGKAP

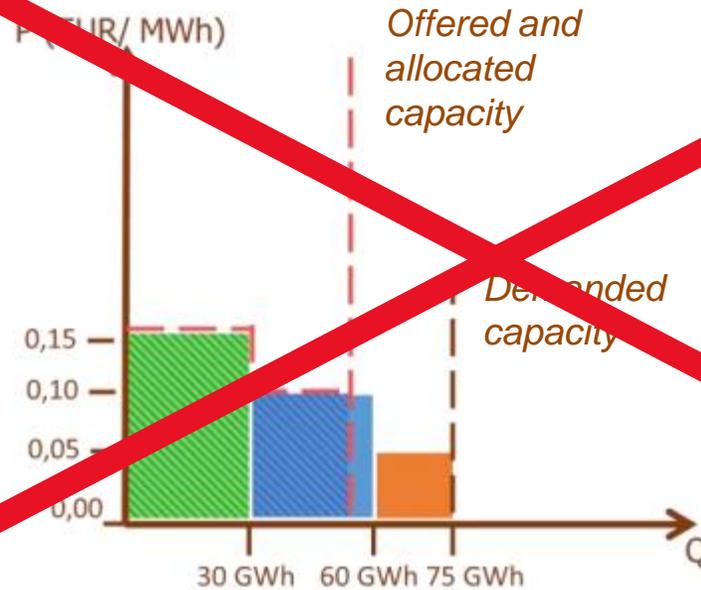
Cost – according to tariff, higher than 2YBCP

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PRODUCTS

INJECTION
PRIORITY

PAY AS BID



Floor price 0,00 EUR/MWh
Revenue goes to Regulatory account

Available capacity for injection 52 GWh/day
1st user bids 0,15EUR/MWh for 30 GWh/day
2nd user bids 0,10EUR/MWh for 30 GWh/day
3rd user bids 0,05EUR/MWh for 15 GWh/day

Capacity is reached @ bid 0,10EUR/MWh

Accepted:

30 GWh/day bid of 1st user @ 0,15EUR/MWh

22 GWh/day bid of 2nd user @ 0,10EUR/MWh

Operator revenue from premium:

$$(30 \times 0,15) \times 30\text{days} + (22 \times 0,10) \times 30\text{days} = 6700 \times 30\text{days} = 201 \text{ thousand EUR}$$

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OTHER*

- Congestion management:
 - Pro-rata on booked unused storage Capacity before 15:00 D-1
 - FCFS after 15:00 D-1
- An application for the transfer of natural gas, which is not a commodity of the European Union, placed into the storage facility shall be submitted by the system users, which are parties to the transaction, to the system operator only for natural gas for which customs procedures have been completed.
- Additional method for collateral - related merchant guarantee.
- Related merchant as well as any other system user has to meet following creditworthiness requirements:
 - “Standard & Poor’s” BBB- or higher
 - “Fitch Ratings” BBB- or higher
 - “Moody’s” Baa3 or higher
 - Rating of another well-known credit agency or rating agency if credit limit is equal or higher than user liability to operator

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NEXT STEPS*

- Storage regulation approved by PUC Oct 1
- Tariff methodology approved by PUC Oct 8
- End of injection season Oct 14
- Start of withdrawal TBD
- Tariff submission by Conexus Nov 1
- IUGS technical capacity forecast 2021/2022 Nov 4
- Tariff approval by PUC Mar 2021
- Auction regulation development
- Auction regulation approval
- Auction IT solution development

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The background of the image is a blurred industrial setting, likely a factory or workshop. It features various pieces of machinery, pipes, and structural elements in shades of grey, red, and yellow. The focus is on the text overlaid on the image.

THANK YOU FOR ATTENTION

Kaspars Skrābāns
Commercial division
+371 29 213 960
www.conexus.lv